

## Message Text

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FOR FRANK H. THOMAS

FOLLOWING REPEAT PARIS 15134 ACTION SECSTATE 12 JUNE.

QUOTE

UNCLAS PARIS 15134

PASS TREASURY FOR WIDMAN AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: PRESS COMMUNIQUE

FOLLOWING IS TEXT OF PRESS COMMUNIQUE OF THE INTERIM COMMITTEE OF THE BOARD OF GOVERNORS ON THE INTERNATIONAL MONETARY SYSTEM, RELEASED JUNE 11. BEGIN TEXT.

1. THE INTERIM COMMITTEE OF THE BOARD OF GOVERNORS OF THE INTERNATIONAL MONETARY FUND HELD ITS THIRD MEETING IN PARIS ON JUNE 10 AND 11, 1975 UNDER THE CHAIRMANSHIP OF MR. JOHN N. TURNER, MINISTER OF FINANCE OF CANADA. MR. H. JOHANNES WITTEVEEN, MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND, PARTICIPATED IN THE MEETING. THE FOLLOWING OBSERVERS ATTENDED DURING THE COMMITTEE'S DISCUSSIONS: MR. HENRI KONAN BEDIE, CHAIRMAN, BANK-  
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FUND DEVELOPMENT COMMITTEE; MR. GAMANI COREA, SECRETARY GENERAL, UNCTAD; MR. WILHELM HAFERKAMP, VICE PRESIDENT, EC COMMISSION; MR. BAHMAN KARBASSIOUN, ADVISOR TO THE SECRETARY-GENERAL OF OPEC; MR. RENE LARRE, GENERAL

MANAGER, BIS; MR. EMILE VAN LENNEP, SECRETARY GENERAL, OECD; MR. F. LEUTWILER, PRESIDENT, NATIONAL BANK OF SWITZERLAND; MR. OLIVIER LONG, DIRECTOR GENERAL, GATT; MR. ROBERT S. MCNAMARA, PRESIDENT, IBRD.

2. THE COMMITTEE RECEIVED OPINIONS, INCLUDING THAT OF THE MANAGING DIRECTOR, ON THE WORLD ECONOMIC OUTLOOK AND ITS IMPLICATIONS FOR THE MANAGEMENT OF DOMESTIC POLICIES AND INTERNATIONAL FINANCIAL RELATIONSHIPS. THE COMMITTEE AGREED THAT EXTERNAL FINANCING WOULD REMAIN FOR SOME TIME A CRITICAL PROBLEM FOR A NUMBER OF COUNTRIES AND THAT ITS SOLUTION WOULD REQUIRE BOTH MAXIMUM EFFORTS ON THE PART OF SUCH COUNTRIES TO ENHANCE THEIR CREDITWORTHINESS AND COOPERATIVE EFFORTS IN CAPITAL EXPORTING COUNTRIES TO ENCOURAGE THE NEEDED FLOWS OF FINANCIAL RESOURCES.

3. THE COMMITTEE NOTED THAT, IN ACCORDANCE WITH THE CONSENSUS REACHED IN THE COMMITTEE AT ITS JANUARY MEETING, THE EXECUTIVE DIRECTORS OF THE FUND HAVE DECIDED TO CONTINUE IN 1975 THE FUND'S OIL FACILITY AND THAT IN ORDER TO FINANCE PURCHASES UNDER THAT FACILITY, LOANS FOR SUBSTANTIAL AMOUNTS HAVE ALREADY BEEN ARRANGED WITH SEVERAL OIL EXPORTING MEMBERS AND A NUMBER OF OTHER MEMBERS IN STRONG EXTERNAL POSITIONS. THE COMMITTEE NOTED THAT NEGOTIATIONS WOULD BE CONTINUED IN ORDER TO COMPLETE ARRANGEMENTS FOR THE FINANCING OF THE OIL FACILITY. THE COMMITTEE WELCOMED THE PROGRESS THAT HAS BEEN MADE TOWARD THE ESTABLISHMENT OF A SUBSIDY ACCOUNT TO ASSIST THE MEMBERS OF THE FUND MOST SERIOUSLY AFFECTED BY CURRENT CONDITIONS TO MEET THE COST OF USING RESOURCES MADE AVAILABLE TO THEM THROUGH THE OIL FACILITY. THE COMMITTEE WELCOMES THE SUPPORT PLEDGED SO FAR AND URGES OTHER MEMBERS TO TAKE SIMILAR ACTION SO THAT THE ACCOUNT CAN BE ESTABLISHED AS SOON AS POSSIBLE. THE COMMITTEE ENDORSED THE DECISION OF THE EXECUTIVE DIRECTORS TO REVIEW ALL ASPECTS OF THE FACILITY IN JULY

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1975.

4. THE COMMITTEE HELD A DETAILED DISCUSSION OF THE ROLE OF GOLD AND THERE WAS WIDESPREAD AGREEMENT THAT A SOLUTION WOULD HAVE TO BE BASED ON THE FOLLOWING BROAD PRINCIPLES:

(I) THE OBJECTIVE SHOULD BE AN ENHANCEMENT IN THE ROLE OF THE SDR AS THE CENTRAL ASSET IN THE INTERNATIONAL MONETARY SYSTEM AND, CONSEQUENTLY, A REDUCTION OF THE ROLE OF GOLD.

(II) THE OFFICIAL PRICE OF GOLD SHOULD BE ABOLISHED.

(III) OBLIGATIONS TO USE GOLD IN PAYMENTS BETWEEN THE FUND AND MEMBERS SHOULD BE ABROGATED.

(IV) THERE SHOULD BE THE SALE OF A PORTION OF THE FUND'S GOLD AT THE APPROXIMATE MARKET PRICE FOR THE BENEFIT OF DEVELOPING MEMBERS IN GENERAL, AND PARTICULARLY THOSE WITH LOW INCOME, AND THE SALE OF ANOTHER PORTION TO MEMBERS AT THE PRESENT OFFICIAL PRICE.

(V) WITH RESPECT TO THE REST OF THE FUND'S GOLD, THERE SHOULD BE A RANGE OF BROAD ENABLING POWERS, EXERCISABLE WITH A HIGH MAJORITY.

(VI) A REASONABLE FORMULA SHOULD BE FOUND FOR UNDERSTANDINGS ON TRANSACTIONS BY MONETARY AUTHORITIES WITH EACH OTHER AND IN THE MARKET, WHICH WOULD INCLUDE UNDERSTANDINGS THAT WOULD BE DESIGNED TO AVOID THE REESTABLISHMENT OF AN OFFICIAL PRICE AND WOULD DEAL WITH THE VOLUME OF GOLD HELD BY MONETARY AUTHORITIES.

(VII) AN APPROPRIATE FORMULA SHOULD BE FOUND FOR COLLABORATION WITH THE FUND IN CONNECTION WITH THE UNDERSTANDINGS AMONG MONETARY AUTHORITIES. SOME COUNTRIES FELT THAT THIS COLLABORATION SHOULD RELATE ALSO TO THE REDUCTION OF THE ROLE OF RESERVE CURRENCIES IN THE INTERNATIONAL MONETARY SYSTEM.

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THE COMMITTEE WAS OF THE VIEW THAT THE EXECUTIVE DIRECTORS SHOULD BE ASKED TO STUDY THE QUESTION OF GOLD FURTHER IN ORDER THAT A FINAL AGREEMENT CAN BE REACHED ON THE BASIS OF THESE PRINCIPLES.

THE EXECUTIVE DIRECTORS SHOULD STUDY THE ESTABLISHMENT OF A GOLD SUBSTITUTION ACCOUNT THROUGH WHICH MEMBERS WOULD BE ABLE TO EXCHANGE A PART OR ALL OF THEIR GOLD HOLDINGS FOR SDRS ISSUED BY THE FUND FOR THIS PURPOSE.

5. THE COMMITTEE ALSO DISCUSSED THE EXCHANGE ARRANGEMENTS THAT MEMBERS OF THE FUND SHOULD OBSERVE. THERE WAS WIDESPREAD AGREEMENT THAT MEMBERS SHOULD HAVE A BASIC OBLIGATION TO COLLABORATE WITH THE FUND AND WITH OTHER MEMBERS IN ORDER TO PROMOTE EXCHANGE STABILITY, TO MAINTAIN ORDERLY EXCHANGE ARRANGEMENTS, AND TO PURSUE EXCHANGE POLICIES THAT CONTRIBUTE TO ADJUSTMENT, AND THAT THE FUND SHOULD ADOPT POLICIES IN ORDER TO ENABLE MEMBERS TO ACT CONSISTENTLY WITH THEIR BASIC OBLIGATIONS WHATEVER THEIR EXCHANGE ARRANGEMENTS MIGHT BE. THE COMMITTEE REITERATED ITS AGREEMENT THAT PROVISION SHOULD BE MADE FOR STABLE BUT ADJUSTABLE PAR

VALUES AND THE FLOATING OF CURRENCIES IN PARTICULAR SITUATIONS, SUBJECT TO APPROPRIATE RULES AND SURVEILLANCE OF THE FUND, IN ACCORDANCE WITH THE OUTLINE OF REFORM.

6. THE COMMITTEE ENDORSED THE PRINCIPLE OF THE IMPROVEMENT OF THE SPECIAL DRAWING ACCOUNT AND THE GENERAL ACCOUNT AND AGREED THAT THE EXECUTIVE DIRECTORS SHOULD BE ASKED TO FIND AGREED SOLUTIONS ON THE FEW REMAINING ISSUES. THE COMMITTEE ATTACHED PARTICULAR IMPORTANCE TO THE INCLUSION OF EFFECTIVE PROVISIONS IN THE AMENDED ARTICLES UNDER WHICH THE FUND'S HOLDINGS OF THE CURRENCIES OF ALL MEMBERS WOULD BE USABLE, IN ACCORDANCE WITH APPROPRIATE ECONOMIC CRITERIA, IN ITS STANDARD OPERATIONS AND TRANSACTIONS. IT WAS AGREED THAT THE EXECUTIVE DIRECTORS SHOULD STUDY A POWER TO INVEST A PART OF THE FUND'S ASSETS EQUAL TO ITS RESERVES FOR THE PURPOSE OF RAISING INCOME THAT WOULD ENABLE IT TO MEET ANY ADMINISTRATIVE OR OPERATIONAL

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DEFICITS, AND TO REPORT ON THIS SUBJECT AS SOON AS POSSIBLE.

7. (A) IT WAS AGREED THAT A COUNCIL SHOULD COME INTO BEING WHEN A DECISION IS TAKEN BY THE FUND FOR THAT PURPOSE UNDER AN APPROPRIATE AMENDMENT. THE COUNCIL WOULD STRENGTHEN THE FUND BY PROVIDING IT WITH AN ORGAN COMPOSED IN THE SAME MANNER AS THE COMMITTEE OF TWENTY AND THE INTERIM COMMITTEE BUT WITH AUTHORITY NOT ONLY TO EXERCISE ADVISORY FUNCTIONS, BUT ALSO TO TAKE DECISIONS UNDER SPECIFIC POWERS. THE COMMITTEE SHARES THE VIEW OF THE EXECUTIVE DIRECTORS THAT, EXCEPT FOR A FEW POWERS OF A POLITICAL OR STRUCTURAL CHARACTER THAT SHOULD BE RESERVED TO THE BOARD OF GOVERNORS, ALL POWERS OF THE BOARD OF GOVERNORS SHOULD BE DELEGABLE IN PRINCIPLE TO THE COUNCIL, TO THE EXECUTIVE DIRECTORS, OR TO BOTH CONCURRENTLY, BY DECISIONS OF THE BOARD OF GOVERNORS.

(B) ON THE QUESTION OF THE MAJORITIES FOR THE ADOPTION OF DECISIONS OF THE FUND ON IMPORTANT MATTERS, IT WAS AGREED THAT AN 85 PERCENT MAJORITY SHOULD BE REQUIRED UNDER THE AMENDED ARTICLES FOR THOSE DECISIONS THAT CAN BE TAKEN NOW BY AN 80 PERCENT MAJORITY.

(C) THE COMMITTEE NOTED WITH APPROVAL THE DRAFT OF AN AMENDMENT BY WHICH AMENDMENTS TO THE ARTICLES WOULD BECOME EFFECTIVE WHEN ACCEPTED BY THREE-FIFTHS OF THE MEMBERS HAVING 85 PERCENT, INSTEAD OF 80 PERCENT AS AT PRESENT, OF THE TOTAL VOTING POWER.

8. THE COMMITTEE CONSIDERED VARIOUS PROPOSALS TO ASSIST MEMBERS IN DEALING WITH PROBLEMS ARISING FROM SHARP FLUCTUATIONS IN THE PRICES OF PRIMARY PRODUCTS. IN THIS CONNECTION, THE COMMITTEE REQUESTED THE EXECUTIVE DIRECTORS TO CONSIDER APPROPRIATE MODIFICATIONS OF THE FUND'S FACILITIES ON THE COMPENSATORY FINANCING OF EXPORT FLUCTUATIONS AND ON ASSISTANCE TO MEMBERS IN CONNECTION WITH THEIR CONTRIBUTIONS TO INTERNATIONAL BUFFER STOCKS. IT WAS AGREED THAT, AFTER AMENDMENT, A MEMBER USING THE UNCLASSIFIED

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FUND'S BUFFER STOCK FACILITY WOULD BE ABLE TO RETAIN ANY PORTION OF ITS RESERVES HELD IN THE FORM OF AMHY-SERVE POSITION IN THE FUND; THIS PROVISION NOW APPLIES TO DRAWINGS UNDER THE FUND'S COMPENSATORY FINANCING FACILITY.

9. THE COMMITTEE CONSIDERED THE REPORT OF THE EXECUTIVE DIRECTORS ON THE PROGRESS MADE TOWARD IMPLEMENTATION OF THE UNDERSTANDINGS REACHED IN THE COMMITTEE LAST JANUARY WITH REGARD TO INCREASES IN THE QUOTAS OF MEMBERS AS A RESULT OF THE SIXTH GENERAL REVIEW OF QUOTAS. THE COMMITTEE NOTED WITH SATISFACTION THAT PROGRESS HAD BEEN MADE IN REACHING AGREEMENT ON QUOTA INCREASES TO BE PROPOSED FOR INDIVIDUAL COUNTRIES. THE COMMITTEE AGREED THAT FOR THE QUOTA INCREASES PROPOSED AS A RESULT OF THIS REVIEW, AND SUBJECT TO THE AMENDMENT OF THE ARTICLES, MEMBERS SHOULD BE GIVEN AN OPTION TO PAY 25 PERCENT OF THE INCREASE IN QUOTA (WHICH IN THE PAST MEMBERS HAVE HAD TO PAY IN GOLD) IN SPECIAL DRAWING RIGHTS (SDRS), THE CURRENCIES OF CERTAIN OTHER MEMBERS, SUBJECT TO THEIR CONCURRENCE, OR IN THE PAYING MEMBER'S OWN CURRENCY. THE QUESTION OF PAYMENT IN GOLD BY AGREEMENT WITH THE FUND WOULD BE SETTLED AS PART OF THE PROVISIONS ON GOLD. THE BALANCE OF THE INCREASE IN SUBSCRIPTION WOULD BE PAID, AS IN THE PAST, IN THE PAYING MEMBER'S OWN CURRENCY. THE COMMITTEE ALSO RECOMMENDED THAT THERE SHOULD BE NO OBLIGATION FOR A MEMBER TO REPURCHASE THE AMOUNT OF ITS OWN CURRENCY PAID IN EXCESS OF 75 PERCENT OF THE INCREASE IN ITS QUOTA. THE EXECUTIVE DIRECTORS HAVE BEEN ASKED TO PREPARE AND SUBMIT AS PROMPTLY AS POSSIBLE TO THE BOARD OF GOVERNORS, FOR CONSIDERATION AT ITS ANNUAL MEETING IN SEPTEMBER 1975, A RESOLUTION THAT WILL INCLUDE PROPOSED INCREASES IN THE QUOTAS OF INDIVIDUAL MEMBERS AND PROVISIONS ON THE PAYMENT OF CORRESPONDING SUBSCRIPTIONS ON THE BASIS OF THE UNDERSTANDINGS REACHED BY THE COMMITTEE.

10. THE COMMITTEE AGREED TO MEET AGAIN IN WASHINGTON, D.C., IMMEDIATELY BEFORE THE ANNUAL MEETING OF THE

BOARD OF GOVERNORS. THE COMMITTEE AGREED TO MEET IN  
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JAMAICA IN JANUARY AND EXPRESSED ITS GRATITUDE TO THE  
JAMAICAN AUTHORITIES FOR THE INVITATION.  
RUSH UNQUOTE KISSINGER

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## Message Attributes

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